



Mike Quigley

Chief Executive Officer, Alcatel USA
President, Alcatel Americas

December 11, 2002

The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, NW
Washington, DC 20554

Dear Chairman Powell:

I am writing to urge the Federal Communications Commission to expeditiously finalize its network unbundling rules for new broadband investment through its Triennial Review proceeding. Alcatel, along with other telecommunications equipment manufacturers in the United States, has experienced drastic declines in orders from all sectors of the carrier market, including CLECs, ILECs, and IXCs. I was heartened to read your comments at the *Goldman Sachs Communicopia XI Conference* in which you recognized that the equipment manufacturers are the true innovators in the telecommunications market. However, until these rules are clarified and finalized, our carrier customers will remain hesitant to invest the billions of dollars necessary to maintain this innovation and to create the ubiquitous, high-speed broadband network the country needs.

In June 2002, several other representatives from the High Tech Broadband Coalition and I met with you to discuss the changes necessary to spur investment and reinvigorate the telecommunications sector. These included unbundling relief for new, last-mile broadband facilities (defined as fiber and DSL electronics) that are deployed on the customer side of the central office and for limited preemption of state laws impeding these new investments. At that time, it was generally understood that the Commission would finalize these rules by year end. I now am hearing that the Commission's time frame may be moved to February 2003 *at the earliest*. Please understand that the capital expenditure budgets of our carrier customers typically are established on a calendar year basis, thus any further delay into 2003 would negate the beneficial impact of the Commission's actions—conceivably until 2004. Without exaggerating, I can say that the effects of further delays would be disastrous and widespread. In 2002 Alcatel was forced to reduce its workforce in the U.S. by 3,537 employees, which was in addition to the 7,650 already released in 2001. If capital expenditures do not increase and 2003 is as bad or worse than 2002, Alcatel could be forced to make further painful reductions in its headcount. Some of our competitors—companies that spur us to greater levels of innovation—might not even survive.



Please do not be misled by the arguments to the contrary: An expeditious decision by the Commission on these rules will greatly benefit the telecommunications industry, the IT sector, and the economy as a whole.

On behalf of all of Alcatel USA's employees, I thank you for your leadership in this matter and wish you and your family the best for the Holiday Season.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mike Quigley", with a long, sweeping horizontal line extending to the right.

Mike Quigley
CEO, Alcatel USA

cc: Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
Commissioner Jonathan S. Adelstein